

Message Text

UNCLASSIFIED

PAGE 01 MOSCOW 03825 121809Z

62

ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 AGR-10 XMB-04 /034 W

----- 113445

R 121540Z MAR 76

FM AMEMBASSY MOSCOW

TO USDOC WASHDC

INFO SECSTATE WASHDC 1134

UNCLAS MOSCOW 3825

FOR BEWT/DOWNEY

PASS AGRICULTURE FOR ASSISTANT SECURETARY BELL

E.O. 11652: NA

TAG: BEXP, ETRD, BAGB, EAGR, UR

SUBJ: PROSPECTS FOR U.S. FIRMS IN SOVIET AGRICULTURAL DEVELOPMENT

1. SUMMARY: INTERESTING POSSIBILITIES EXIST FOR LARGE-SCALE SALES OF U.S. EQUIPMENT FOR U.S.S. R. AGRICULTURAL DEVELOPMENT PROJECTS. KNOWLEDGEABLE SOVIET OFFICIAL HAS EMPHASIZED, HOWEVER, THAT U.S. FIRMS MUST BE INTERESTED IN LONG-TERM COOPERATION, RATHER THAN QUICK SALES OF EQUIPMENT, AND PREDICTED THAT ALL MAJOR DEALS WOULD INVOLVE REPAYMENT IN PRODUCT. EMBASSY CONCURS IN HIS RECOMMENDATION THAT USG CONSIDER ORGANIZING SOLO TRADE SHOW OF U.S. AGRICULTURAL SYSTEMS AND EQUIPMENT. END SUMMARY.

2. AS PREVIOUSLY REPORTED, AGRICULTURAL SECTOR WILL CONTINUE TO RECEIVE VERY HEAVY EMPHASIS DURING 1976-80 PERIOD. IN ADDITION TO INCREASED DELIVERIES OF EQUIPMENT AND SUPPLIES, PLANS HAVE BEEN ANNOUNCED FOR SEVERAL PROJECTS TO INCREASE AGRICULTURAL PRODUCTION, INCLUDING NON-BLACK SOIL DEVELOPMENT PROGRAM, MAJOR IRRIGATION AND DRAINAGE PROGRAMS, ETC. EMBASSY HAS ALREADY SUPPLIED INFO ON GRAIN STORAGE EXPANSION PROJECT (75 MOSCOW 732), AND WITH HELP OF BEWT SEVERAL U.S. FIRMS ARE NOW COMPETING FOR THIS BUSINESS. MORE RECENTLY SOVIET PRESS (EKOTASS 7-30.12.75) HAS REPORTED PLANS

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FOR CONSTRUCTION OF 3800 LARGE COMPLEXES FOR PRO-

DUCTION OF MILK, MEAT AND OTHER LIVESTOCK PRODUCTS IN CENTRAL ASIA, SOUTHERN KAZAKHSTAN AND TRANS-CAUCASIA DURING 1976-1980 FIVE YEAR PLAN. ALTHOUGH PRESS REPORTS CITED COOPERATION IN THIS LATTER PROJECT BY GDR, SWEDISH (ALFA LAVAL) AND ITALIAN (G.I.G.) FIRMS, MINAG FOREIGN RELATIONS OFFICIAL RECENTLY ASSURED COMATT THAT MINISTRY WOULD ALSO BE INTERESTED IN WORKING WITH US COMPANIES AND CITED ONGOING RELATIONSHIP WITH CERES INTERNATIONAL.

3. FOLLOWING THIS CONVERSATION COMATT AND COMOFF CALLED TRAKTOROEKSPORT DEPUTY CHAIRMAN A.L. AFRIKYAN MARCH 9 FOR GENERAL REVIEW OF OPPORTUNITIES FOR US AGRICULTURAL EQUIPMENT MANUFACTURERS. IN UNUSALLY FORTHCOMING PRESENTATION AFRIKYAN SAID THAT SOVIET MARKET PROSPECTS SHOULD BE GOOD FOR AMERICAN MANUFACTURERS DUE TO RELATIVE SIMILARITIES BETWEEN US AND USSR AGRICULTURAL SITUATIONS. MANUFACTURERS CANNOT AIM AT QUICK SALES OF EQUIPMENT HOWEVER, AS KEY TO SUCCESS IS LONG-TERM COOPERATION PROGRAM WITH MINAG LIKE THOSE UNDERTAKEN BY FMC AND CERES. AFRIKYAN CLAIMED THAT LOGICAL FIRST STEP WOULD BE SOLO US SHOW PRESENTING AMERICAN EQUIPMENT AND SYSTEMS FOR INTENSIFICATION OF AGRICULTURAL PRODUCTION. FROM THIS POINT FIRMS COULD DEVELOP COOPERATION PROGRAMS WITH MINAG.

4. AFRIKYAN POINTED TO SEVERAL PROBLEM AREAS, HOWEVER. FIRST, FIRMS MUST RECOGNIZE THAT ALL MAJOR DEALS WILL INVOLVE PAYMENT IN PRODUCT AS LARGE ALLOCATIONS OF HARD CURRENCY ARE NOT EXPECTED FOR AGRICULTURAL DEVELOPMENT. HOWEVER, THESE NEED NOT BE STRAIGHT COMPENSATION PROJECTS, WHERE PAYMENT MADE IN PRODUCT FROM PROJECT ITSELF, BUT COULD BE ON BARTER BASIS. SECOND, US FIRMS WILL HAVE DIFFICULTY FINDING COMPETITIVE FINANCING IN ABSENCE OF EX-IM CREDITS. FINALLY, AMERICAN COMPANIES SUFFER FROM GENERAL UNHAPPINESS IN SOVIET GOVERNMENT OVER US TRADE LEGISLATION.

5. COMMENT: EMBASSY CONSIDERS AFRIKYAN'S REMARKS
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TO BE REALISTIC ASSESSMENT OF SOVIET MARKET PROSPECTS FOR US AGRICULTURAL EQUIPMENT MANUFACTURERS. HIS PROPOSAL FOR SOLO US SHOW IN THIS AREA PARALLELS SUGGESTIONS MADE IN 1974 (75 STATE 673). WE HOPE COMMERCE AND AGRICULTURE CAN FIND RESOURCES NECESSARY TO STAGE THIS EVENT, PERHAPS DURING SUMMER OF 1977. IN VIEW RELATIONSHIP BETWEEN SOVIET 5-YEAR PLAN CYCLE AND MAJOR FOREIGN TRADE PROGRAMS, WE BELIEVE IT WOULD BE UNWISE TO DELAY

EXHIBITION BEYOND SUMMER OF 1977.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FARM EQUIPMENT, SALES, AGRICULTURAL DEVELOPMENT
Control Number: n/a
Copy: SINGLE
Draft Date: 12 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976MOSCOW03825
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760095-0461
From: MOSCOW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760367/aaaacgqw.tel
Line Count: 117
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: wolfsd
Review Comment: n/a
Review Content Flags:
Review Date: 07 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 JUL 2004 by vandyklc>; APPROVED <25 AUG 2004 by wolfsd>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROSPECTS FOR U.S. FIRMS IN SOVIET AGRICULTURAL DEVELOPMENT
TAGS: BEXP, ETRD, BAGB, EAGR, UR
To: COM
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006